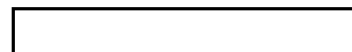


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14 April 1955



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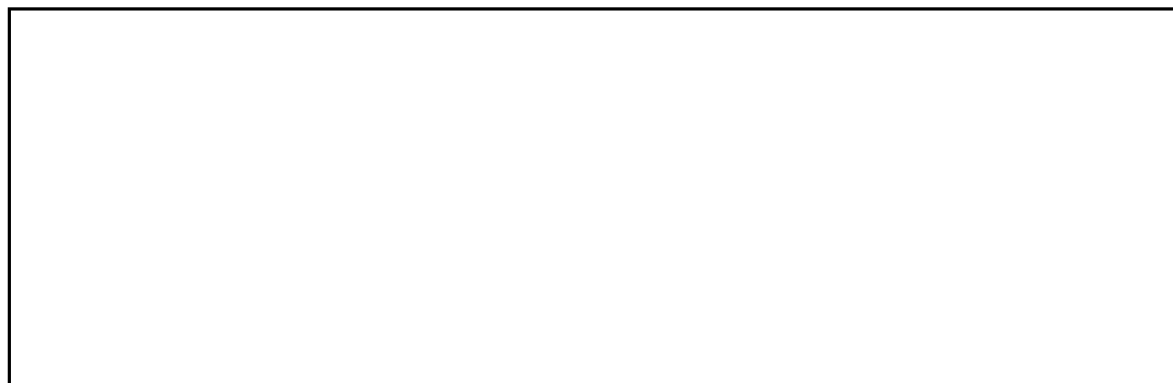


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State Dept. review completed

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FAR EAST

1. Madame Rhee seen gaining importance as President Rhee's health fails:

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Ambassador Briggs, following farewell talks with South Korean cabinet ministers, reports that President Rhee's health is slowly but definitely failing. He states that

Madame Rhee now controls the papers the president sees and, to a considerable extent, whom he sees.

Comment:

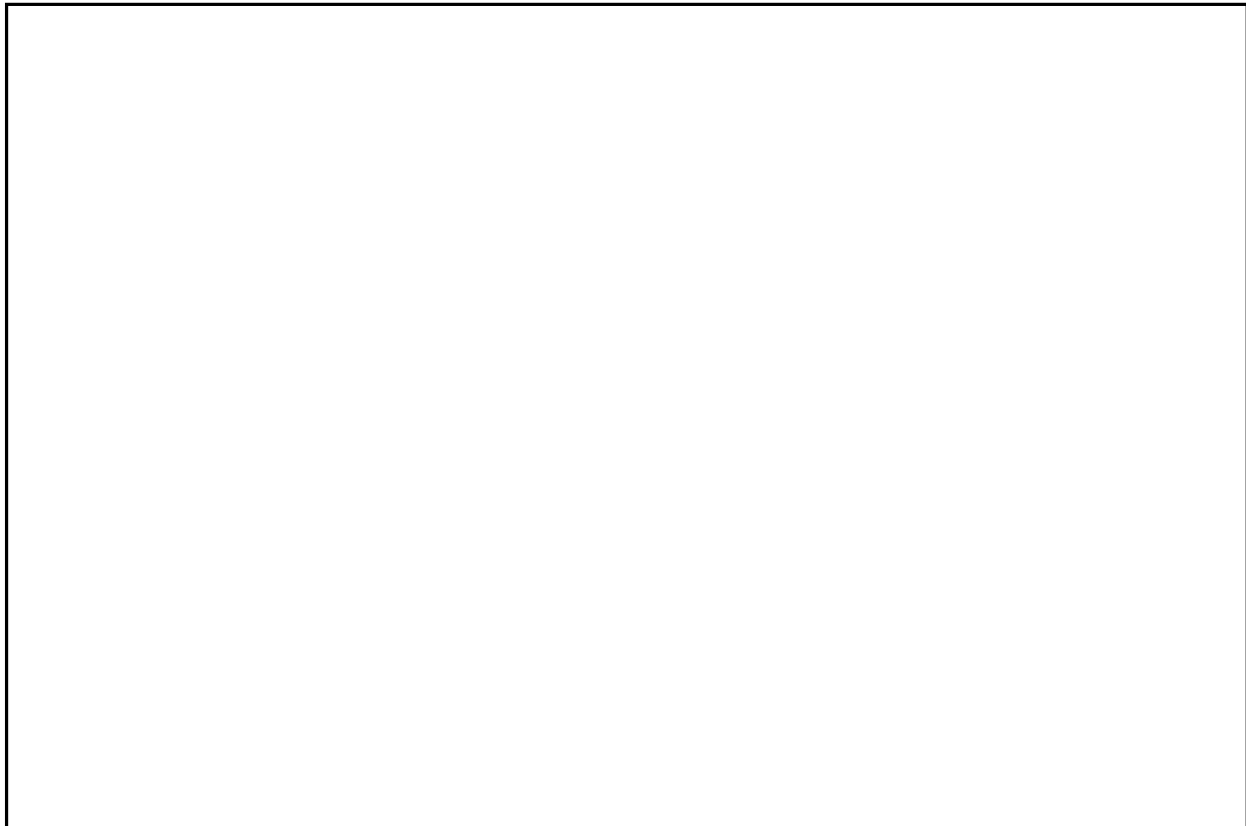


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members of Rhee's secretariat have assumed greater authority in dealing with Korean officials on the ministerial level since Rhee underwent surgery in January.

In the event of Rhee's increasing incapacitation, it may be expected that Madame Rhee and the secretariat, in isolating the president, will strive to obscure the extent of his incapacity and to maintain the position of the present governing group.

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SOUTHEAST ASIA

3. Binh Xuyen reportedly in contact with Viet Minh:

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Comment: The Binh Xuyen was allied with the Viet Minh after World War II. It later rallied to the Bao Dai government, from which it received economic concessions. General Ely recently expressed concern that the Binh Xuyen might again sell out to the Viet Minh.

The Viet Minh on 8 April broadcast from Hanoi an appeal by an alleged ex-Binh Xuyen commander to his comrades in the south, urging them to overthrow the Diem government.

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4. France abandons effort to maintain installations in North Vietnam:

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[REDACTED] France now considers its efforts to maintain installations in North Vietnam "a closed book," according to a Foreign Ministry official. He told the American embassy in Paris on 12 April that the Charbonnages du Tonkin had completed arrangements to sell its plant and equipment to the Viet Minh, and he expected all other French enterprises in North Vietnam to follow suit.

The Foreign Ministry official agreed that, in terms of trade control, North Vietnam should be considered in the same category as Communist China.

Comment: The present French attitude, while largely determined by practical economics, should do much to lessen South Vietnam's fear that French economic aid would strengthen the Viet Minh economy and eliminate the south's current economic advantage over the north.

At the same time, however, France may step up its efforts to ensure its cultural influence in Viet Minh territory, particularly if rightists attack the Faure government for its failure to offer sufficient guarantees to French business in the area.

5. Viet Minh reported willing to negotiate question of Vietnamese refugees in Thailand:

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[REDACTED] Ho Chi Minh has suggested to Jean Sainteny, the French representative in Hanoi, that Thailand send a committee to the Viet Minh capital to discuss the resettlement of Vietnamese refugees in northeast Thailand, according to French ambassador Offroy in Bangkok. Sainteny is expected to pass through Bangkok on 14 April en route to France.

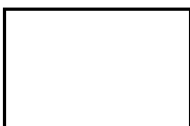
Offroy believes the Viet Minh would make the establishment of diplomatic relations between Bangkok and Hanoi a precondition to the actual transfer of people to North Vietnam.

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SOUTH ASIA

6. Comment on alleged Soviet offer of military support to Afghanistan:

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It is unlikely that the Soviet ambassador in Kabul has offered full military support to Afghanistan, as was reported in the New York Times on 13 April. The USSR probably will continue to refrain from any such action, which would appear as interference in the eyes of India and other South Asian countries. Encouragement of India's attempts to foster neutralism has become an overriding Soviet foreign policy objective in the area.

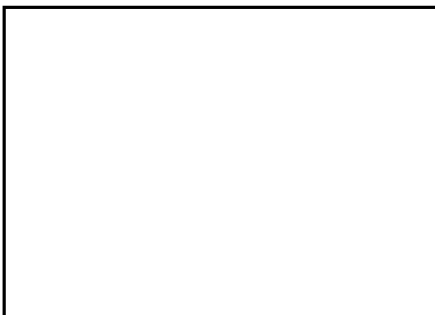
Prime Minister Daud reportedly has had several conversations with the Soviet ambassador, perhaps to discuss offers of moral support or economic assistance to strengthen Daud in his struggle to retain power against the growing opposition in the royal family. The Afghan foreign minister told the American ambassador on 10 April, however, that his government had no arms deal of any kind with the USSR.

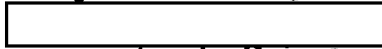
Moscow will attempt in private diplomatic statements, in its propaganda, and through rumors of military support to sustain the hostility between Kabul and Karachi because this serves its other main objective in the area of forestalling development of an effective "northern tier" anti-Communist grouping. The USSR seems to be counting more on its Indian policy of support for Nehru, combined with a program for long-term economic and cultural penetration of South Asia, to increase its influence in the area at the expense of the West.

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7. Comment on possible Afghan efforts to oust royal family:

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Reports from Kabul and Karachi suggest that certain highly placed Afghans who are not members of the present ruling group are planning,  to remove not only Prime Minister Daud but the entire royal family because of the "impossible position" in which the Afghan government has been put as a result of the 30 March attack on the Pakistani embassy in Kabul.

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Najibullah, Afghan ambassador to London, who was in Kabul en route to the Afro-Asian conference, in a conversation with Ambassador Ward on 10 April, condemned the "great error" committed by the Afghans. He expressed fear that Afghanistan might be "destroyed" by the new turn of events and seemed more interested in the survival of his country than of the present government.

Najibullah is a cousin of ex-king Amanullah, who was deposed in 1929. Ward comments that Najibullah belongs to a group which has been supporting the Pushtoonistan issue in the hope that it would eventually cause the destruction of the present dynasty. Other alleged members of this group, according to Ward, are Mohammad Ludin, now Afghan ambassador to the United States, and Abdul Majid Khan Zabuli, powerful president of the Afghan National Bank, who is also now in the United States. These two men are among the most capable in the country. Both have been subjected to highhanded treatment by the royal family.

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These three men would command considerable support from influential individuals in the government, in business circles, and elsewhere who are connected with Amanullah or who are bitterly opposed to the present policies of Daud. Majid's large financial resources would probably also ensure the loyalty of many Afghan tribes.

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NEAR EAST - AFRICA

8. Iraq fears imminent coup in Syria:

President Atasi of Syria has been given an ultimatum by the chief of staff, prime minister and foreign minister that unless

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the proposed Egyptian-Syrian-Saudi Arabian pact is signed immediately a coup will be attempted, according to a report from the Iraqi minister in Damascus to Baghdad on 13 April.

Iraqi foreign minister Shahbandar told Ambassador Gallman that Atasi has requested and Iraq is ready to extend military aid in case a coup is attempted. Shahbandar asked that the United States use its influence on both Turkey and Israel to keep hands off the situation.

Comment: There is no intimation from any other source that a coup is imminent in Syria, although the country's unstable political situation makes one possible at any time.

The latest information from Cairo and Saudi Arabia indicates that further action on the Egyptian-Syrian-Saudi pact is unlikely until after the Afro-Asian conference, which opens 18 April.

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EASTERN EUROPE

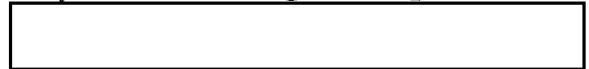
10. East German government threatens restrictive measures against West Berlin:



The East German government's announcement of 12 April that 521 Western spies had been arrested and its charge that West

Berlin is the main spy center of the Allied powers suggest that it is preparing to seal off West Berlin from the eastern sector of the city and from East Germany, but not from the West. The announcement says that espionage organizations in West Berlin pose a threat to East Germany "which must lead to retaliation" and "cause special difficulties for the inhabitants of West Berlin."

The sealing off of West Berlin is one of the "hard" measures the USSR is most likely to adopt in response to ratification of the Paris agreements. It would be designed to demonstrate the vulnerability of the city to Communist pressures and to impress West Europeans, particularly West Germans, with the dangers implicit in rearming West Germany under NATO.



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WESTERN EUROPE

11. Soviet Union makes significant concessions to Austrians on treaty terms:



The Austrian delegation in Moscow has informed the American, British and French ambassadors that the USSR made several concessions in the terms for a treaty at the opening meeting on 12 April, and that Molotov stated the Soviet Union was prepared to sign a treaty as soon as possible.

The Soviet officials said that the USSR would be prepared to return the oil properties and the shipping company assets which the current draft treaty permits Moscow to keep, in return for oil deliveries to the USSR for six years. The Soviet Union would propose a date in a "very short time" for the withdrawal of foreign troops from Austria. They added that while the Austrian declaration barring military alliances and foreign military bases on Austrian soil must be "nationally binding," it need not

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be part of the treaty. The Soviet representatives, without proposing a specific form, suggested a four-power guarantee of Austrian independence outside the treaty.

The Soviet delegation indicated that it expected Austrian help in arranging a big-power conference solely on the Austrian issue, and implied that it should be at the foreign ministers' level.

The Austrian delegation is elated at the present Soviet attitude and believes that treaty prospects are bright if Moscow backs up these proposals in concrete form.

Comment: These concessions represent a significant shift from the Soviet position maintained since the Berlin conference in February 1954. Moscow appears to be making its terms so favorable that it will be difficult for both Austria and the Western powers to object to the provisions for Austrian neutrality in the proposals. Moscow may remain vague on the exact nature of the four-power guarantee it wants until the four-power conference is held.

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